

FEATURE ADDRESS TO BE DELIVERED BY
THE HON. RYAN STRAUGHN M.P
MINISTER IN FINANCE
CO-OPERATORS GENERAL INSURANCE CO. LTD
30TH ANNIVERSARY - OCTOBER 21, 2020

COURTESIES:

Hon. Mia Mottley Q.C., M.P., Prime Minister of Barbados

General Manager, Mr. Anton Lovell

Members of the Board of Directors, Management and Staff of Co-operators General Insurance Co.

Ltd.

Specially Invited Guests

Good Evening

It is truly a pleasure to address you on this momentous occasion. Indeed, 30 years of operations is a significant achievement, worthy of celebration and I take this opportunity to congratulate you. First, I congratulate you on behalf of the people of Barbados who have been the beneficiaries of your stellar service, and I also extend my own personal congratulations and express sincere thanks and appreciation for your contribution to the development of Barbados.

Your contribution today is multifaceted, with gross written premiums totaling \$21.8M and combined assets with the Co-operators General Management Company Inc. at \$65M, employing

Bajans, providing safety-net coverage and protection for a large segment of the population, and being a wholly owned Barbadian company, making you one of the most widely owned local companies in Barbados. Taken together, these attributes have certainly contributed to developing the Co-operators General Insurance Co. Ltd. brand into a success story, playing a critical role in society. This evening, I pledge to you that the government of Barbados is committed to providing an enabling framework aimed at supporting existing business, and removing the impediments that frustrate new and emerging businesses.

Beyond the celebration of the last 30 years, your plans for the future are of great interest to me as the two (2) areas identified – (i) the construction of an office building (which will involve job creation), and (ii.) product innovation - are consistent with the vision of transformation outlined by my administration as we endeavour to move this country forward. We intend to enhance the way we do business; the speed with which services are delivered; the way we make payments, engage all our constituents and make decisions; as well as the transparency and accountability structures that would facilitate the efficiencies gained by our transformation. In fact, as I am sure you are aware, some of these enhancements have begun to take shape and are already making a positive impact. I take this opportunity to recognise the work of the Ministry of Innovation, Science and Smart Technology, which has been hard at work, digitizing our operations in order to ensure a more effective and efficient public sector, by streamlining processes and thereby providing a better customer experience and reducing costs.

My information is that you are in good regulatory standing as you continue to satisfy all your obligations to the Financial Services Commission (FSC). I urge you to continue in this vein as our

regulatory framework is intended to ensure that customers (and policy holders) are not being unfairly treated and secondly, that there is adequate monitoring to ensure that mechanisms are in place to reduce risks to our financial system, which can spill over into other sectors and the economy as a whole. I can also say to you that I expect greater enhancement in the regulatory framework in the near future as the FSC is working with a senior technical advisor for (i) risk-based regulations/supervision; (ii) operational efficiency; and (iii) financial technology among other things.

The insurance sector, as you all know, has undergone a transformation process. The rationally bifurcated sector is now consolidated under a single insurance act as part of the government's commitment to resolve the challenges under the OECD's Base Erosion and Profit Shifting initiative. There were nine regimes that had to be deconstructed and given the short time-span and the detailed legislative adjustments, we were able to complete what appeared an impossible task. The convergence framework triggered a comprehensive tax reform which now allows all companies to pay taxes at rates of 1% to 5.5%, and further, tax paying insurance companies, like yourselves have a fixed rate of only 2% (from 30% in 2018). This is significant and represents the lowest corporate tax regime Barbados has ever seen, and is the most competitive when excluding all zero tax regimes. The feedback from the OECD confirmed approval of our amended framework, and our capacity to transform a sector that has been operating since the early 1990's within a short space of time, is a demonstration of the type of productivity and dedication that must be evident throughout Barbados.

Another critical element of our agenda is sound and transparent governance. Governance is about choices, and having considered the type of government we want to be and how we can achieve economic enfranchisement for those we serve, it was clear that the way in which we manage public sector finances and the consequent accountability must be enhanced. Therefore, we are committed to undertaking the work necessary to ensure the successful passage of the Integrity in Public Life Bill 2020 which will establish a regime, including an Integrity Commission, to promote the integrity of persons in public life and strengthen measures for the prevention, detection, investigation and prosecution of acts of corruption. Second, the Public Finance Management Act 2019 which makes provision for the improvement of the management of public finance is one of the most important pieces of legislation passed in a post-Independence Barbados and will significantly increase the level of accountability of a government to be governed. There must be the application of financial principles which create and maintain value through decision-making and proper resource management. As a government, we can only operate successfully if we are financially sound, and so our broad objectives are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of public services. It cannot be business as usual, and so in our estimation, the implementation of these standards help us to achieve the Barbados that we envisage for ourselves and future generations. These new standards are critical in assisting us in the effective monitoring of the targets we have imposed upon ourselves in the Barbados Economic Recovery and Transformation (BERT) programme.

Our reputation as a government and by extension as a country is of utmost importance. Our success and survival depends on the type of reputation we have as this impacts our ability to attract foreign investment. It is important that we be seen as politically stable and free of corruption. Remember,

we operate in a global environment and cannot survive on our own. Just as it is important for any government to ensure that it has the proper rules and regulations in place to stymie the spread of corruption and to hold persons accountable for their actions, private sector organizations have a responsibility to do the same. This is especially critical as we tackle head on the issue of anti-money laundering/combating the financing of terrorism, and considering the challenges currently being faced by Barbados as it relates to being on the European Union Council's list of non-cooperative jurisdictions for tax purposes.

A delicate mix of macro-prudential management, backed by strong corporate governance must be adopted by all entities. Governance remains a priority and is a key pillar in the success of any organization, whether private or public. I encourage all businesses and entrepreneurs, as they set out to establish and build their own success stories, to pay significant attention to matters related to governance. Appropriate policies must be established and adhered to, and the mechanism for implementing and ensuring that policies are followed must be in place. Where there are breaches, then the relevant consequences must be imposed. It may appear harsh at the onset, but it is necessary to ensure eradication of corruption and other untoward business practices. I am sure that you too are committed to operating at the highest levels of governance and transparency.

Having laid down some of our philosophy and things implemented, this administration is effectively presenting a new type of government and a new way for conducting business with government. This is akin to your future plans for product innovation - innovation matters. The experience created for all stakeholders or clients matter and we must be constantly thinking of improvements. Indeed, innovation implies some level of risk. There is no 100% guarantee that

your new engagement will be successful. The question therefore becomes whether the actual innovation is worth the risk. In my view, not being innovative is in itself a risk – being left behind, losing market share or not giving your business the opportunity to grow, or in the case of government becoming outdated, slow and inefficient, and incapable of creating a positive and enabling outlook for everyone.

It takes a disciplined approach and an ongoing commitment to meet the needs of the customers you serve; and although the process may sometimes seem like travelling to the moon and back, it is worth the journey. You therefore have to anticipate the needs of your public and quickly deliver programs to meet those needs. You have to quickly react to trends and market needs, define the need, optimize resources and execute the solution. Persons can mistakenly think that innovation automatically means “new and improved” or disruptive. It is not always necessary to formulate some grandiose idea, but one can also take an existing product and make a few tweaks, thereby helping to reshape an existing product, or create a new digital product for an existing market which leads to the creation of a product which is more tailored to the needs of the consumer depending on their preferences and behavior. This allows you to rapidly create a product which has a quick impact and brings value.

The world in which we live has become progressively more digital and the customers of today are increasingly more comfortable using new technologies. In fact, they have come to expect digital interaction in almost every area of their lives including with insurers. The 21st century customer no longer has a tolerance for standing in long lines waiting to be served. They expect their interactions with service providers to be speedy, efficient and accurate. Further, there is no longer

any loyalty to any particular service provider. If they are not receiving the type of service they believe they are entitled to, they will migrate to companies that offer more innovative products that better suit their needs. Therefore, as an insurer you can either prosper by increasing your use of digital platforms or continue doing things the old way. How many times have you encountered an individual or company who said “but that’s the way we’ve always done it”. My response to that is Blackberry, Blockbuster, Polaroid and I could keep going. The global pandemic has accelerated the increased use of technology to facilitate interactions between service providers and their constituents. It forced us to progress at a speed considerably greater than envisaged and this has redound to our benefit in many regards.

The societal impact of insurance innovation cannot be understated. You know better than me, the level of under-insured that exists, and what it takes to reach persons who might think it is not important. I note your concern as it relates to the frequency of motor accidents, especially those involving injuries and the large monthly outlay of funds towards motor claim settlements. The government is aware of the concerns of insurance providers and has responded by amending the Road Traffic Act to allow for the introduction of breathalyser testing. However, it must be noted that the blame for all road accidents cannot be placed on drunk driving and so there is a need for public education as it relates to road usage, road traffic regulations and defensive driving.

Risk assessment, mitigation and risk management are critical elements that must come alongside the utilization of new technologies and product innovation. The government is happy that it has already established the framework by which innovation can be assessed in the form of the Regulatory Sandbox, a joint initiative of the Central Bank of Barbados and the Financial Services

Commission. It is envisaged that some innovations may blur traditional lines of financial activity or the technology being employed may not be known to the regulators. Having recognized that advances in financial technology have led to the emergence of products and services that have the potential to make conducting financial transactions more efficient and less expensive, we have implemented a mechanism which allows entities to engage in live testing of innovative financial products, services, and delivery mechanisms, thus strictly containing the risks to ordinary financial consumers and the financial system.

The purpose of this Regulatory Sandbox is two-fold: for businesses, it allows them to test the feasibility of their innovations in a real-world, but controlled, environment while for the regulator, it provides an opportunity to better understand the nature of the product or service and by extension to determine whether the existing regulatory framework is sufficient, or if a new type of legislation is necessary. The ultimate aim is to ensure that innovative technologies are not stymied, while at the same time protecting Barbadians and the financial system. In the near future, more attention would be given to activities such as peer-to-peer lenders, crowd funding platforms and private investment clubs. The transformational path which Barbados is currently on will be driven to a great extent by new and emerging digital technologies; and so artificial intelligence, big data analytics, cloud computing, robotics, blockchain and such like are at the forefront of our thought process.

On a broader perspective our goal is the implementation of a rigorous risk-based supervisory framework which can be applied to all financial institutions. This type of supervision has gradually become the dominant approach to the regulatory supervision of financial institutions around the

world. It is a comprehensive, formally structured system that assesses risks within the financial system, giving priority to the resolution of those risks. The FSC will be focusing on assessing the degree of risk in the business operations of companies and determining how to reduce the risk as required. You will be consistently monitored, both for compliance with the rules and your approach to risk management. Therefore, the monitoring of entities will be paramount and any failure to comply or to manage well will be noted and the necessary action taken to deal with any concerns according to the appropriate legislation. The adoption of risk-based supervision facilitates the detection of risks on time thus allowing you to concentrate on high risk areas leading to increased transparency and accountability, hence enhancing financial performance. You therefore have a responsibility to ensure effective risk management through proper risk assessment; training staff in risk-based supervision and ensuring that risk-based supervision standards are achieved and maintained.

One word which comes to mind that aptly describes what has occurred over the past two (2) years and especially over the duration of COVID-19 is **change** – individually and collectively whether as a country or in our respective organizations and homes. Although we like to think that change is good and always provides some type of benefit, we are facing the realization that there are some types of change that have disastrous effects. For example, each year we are faced with the fact that climate change is real. This phenomenon which has seen a change in global and regional climate patterns from the mid to late 20th century onwards attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels, continues to increasingly bring great hardship and pain through the destruction which remains from the effects of hurricanes, earthquakes, tsunamis, typhoons, fires and such like. However, despite the negative effects of

climate change, that in itself is forcing us to consider how we as countries need to adapt and transform in order to be better prepared and build resilience within our communities. So although climate change negatively impacts us, from that has come a strong desire to effect positive change in an effort to become climate resilient. Therefore, it is clear that there is and always will be a need for change and transformation.

Closer to home, as a result of the pandemic there has been a significant shift in the way we operate in our homes, institutions and relationships - we have seen change in every facet of our existence both positively and negatively. When this government came into office we entered into the ambitious, home-grown BERT programme supported by the Extended Fund Facility of the International Monetary Fund, aimed at long run debt reduction, strong public finances, reforms to financial transparency and accountability. However, the programme has had to be updated to reflect the arrival of the COVID-19 pandemic and government's comprehensive response. Given the strong start to the BERT programme and meeting all the targets to date which has resulted in renewed confidence with consumers, businesses and investors, our reserves have increased more than 5 times the level upon assuming office. In response to COVID-19, over the next two years we will need to pause on our debt reduction strategy to enhance our social protection mechanism and prevent the total implosion of the private economy before we can return to the level of surpluses we were running previously and our downward path on debt when tourism returns and the economy fully recovers.

For some, the pandemic has presented the opportunity for new and innovative businesses to emerge while for others, their lives have been devastatingly impacted and this government continues to

work to mitigate the effects of COVID-19 through initiatives such as the Barbados Economic and Sustainable Transformation (BEST) programme which aims to provide assistance to the tourism industry and keep tourism industry workers employed. While the key component is to re-engage workers, there are several priority areas for investment such as renewable energy, changing the value chain, greater integration of the agriculture, manufacturing and hotel and restaurant sectors, water conservation, entertainment and culture, digitization and greater technology use, and settlement of outstanding statutory debt for small hotels. There has also been the introduction of the Barbados Optional Savings Scheme (BOSS) aimed at creating much needed fiscal space, given the projected decline in revenues occasioned by the global pandemic. The main tenet of the scheme is to redirect funds previously earmarked for public expenditure on wages and salaries to finance an expansion of the capital works programme to create more jobs and put as many people back to work as possible. We also introduced the Barbados Vulnerable Family Survival Programme to ensure that those who lost all their income are still able to put food on their tables. This programme has proven to be quite successful and I thank you for playing your part by committing to retaining staff levels and remuneration, and providing assistance to the less fortunate during these trying times.

As is evident from what I have articulated above, like Co-operators General Insurance Co. Ltd. and dare I say all of us, government has had to quickly pivot and effect change in order to address the critical issues confronting the country at this time. Our focus is not on simply surviving our current circumstances, or merely contemplating what we wish our future to look like, this government has been making every effort to transform this country to ensure that we create a better tomorrow for all our people. Is **change** hard? yes. Is **transformation** hard? Yes indeed it is. It is

extremely difficult for some amongst us to move away from that which we have become accustomed to something new – the unknown. Therefore, as Barbadians, we must have confidence in ourselves to get through anything that life throws at us because we have deliberately invested in our people. We could never promise that as we adjust there will not be some pain, but you can rest assured that the medium to long term pay off will be felt for generations to come. I am of the firm belief that we can and must embrace this change together. As you have heard the Prime Minister say on many occasions “many hands make light work” and as we work together, we will move forward together and achieve our goals.

In conclusion, I commend Co-operators General Insurance Co. Ltd. for its strong focus on corporate social responsibility and I especially single out the \$30,000 donation to be made to the Queen Elizabeth Hospital (QEH). We owe a debt of gratitude to our health professionals and institutions which can never be repaid, and I thank you for your foresight in committing to assist the QEH especially at this time. From your small beginnings in Speedbird House, Bridgetown to owning your own headquarters here in Collymore Rock, St. Michael, along with two sub-branches in St. Philip and St. Peter, you are indeed a success story of which we can all be proud. Let me assure you, that this government believes that your organization has a role to play in the mission of rebuilding the Barbados economy, and I encourage you to continue to find ways to be a part of the process. Government is mindful of the fact that the integrity of the non-bank financial sector must not be undermined and will ensure that any reform will be well suited to further the economic development and enfranchisement of the insurance sector.

Once again, thank you for inviting me to address you and I, along with the government and people of Barbados wish you all the best as you engage in your 30th anniversary celebrations, and continued success for the future.